

Commonwealth of Massachusetts  
Department of Telecommunications and Energy  
Fitchburg Gas and Electric Light Company  
Docket No. D.T.E. 02-24/25  
Record Request Response

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**Record Request No.: DTE-RR-10 (Common)**

Provide the attachment for DTE 2-38, that provides line 19 amounts. The filed copy was illegible because of computer highlighting and subsequent xeroxing.

**Response:**

Please refer to Attachment DTE-RR-10.

**Person Responsible:** Mark H. Collin

**Fitchburg Gas and Electric Light Company  
Other O&M Expenses - Lead Lag Study  
Cost / Benefit Analysis**

Line No.	Cost	Bids <sup>(1)</sup>		Source / Calculation
		Bid 1	Bid 2	
1	Cost for Lead Lag Study	\$193,000	\$60,000	Vendor Bid
	<b>Benefit</b>			
2	Annual Gas Other O&M subject to W/C	\$5,652,899	\$5,652,899	Other O&M Expense per adjusted books - Gas
3	Annual Electric O&M subject to W/C	\$7,823,004	\$7,823,004	Other O&M Expense per adjusted books - Electric
4	Annual Other O&M subject to W/C	\$13,475,903	\$13,475,903	Line 2 + Line 3
5	Days in year	365	365	Assumption
6	Other O&M Expense per Day	\$36,920	\$36,920	Line 4 / Line 5
7	Rate of Return	9.08%	9.09%	Cost of Capital
8	Income Tax Rate	38.29%	38.29%	Income Tax Rate - Federal & State
9	Benefit per Day of Reduction from 45 days	\$5,438	\$5,438	Line 6 * Line 7 / (1-Line 8)
	<b>Breakeven Analysis</b>			
10	Days of Reduction Required for Breakeven (days)	35.49	11.03	Line 1 / Line 9
11	Breakeven Point - Other O&M Expense Lag (days)	9.51	33.97	45 - Line 10
12	Gas Division Revenue Lag (days)	68.9	68.9	FG&E Purchase Gas Lead Lag Study
13	Electric Division Revenue Lag (days)	58.2	58.2	FG&E Purchase Electricity Lead Lag Study
14	FG&E Revenue Lag (G&E Wtd Average) (days)	62.7	62.7	(Line 12 * Line 2 + Line 13 * Line 3) / Line 4
15	FG&E Other O&M Expense Lag for Breakeven (days)	53.2	28.7	Line 14 - Line 11
16	Average Expense Lag from Sample (days)	22.5	22.5	Sample Average Expense Lag <sup>(2)</sup>
17	Standard Deviation of Estimate (days)	9.62	9.62	Standard Deviation of Sample <sup>(2)</sup>
18	Sample Size	10	10	Sample Size <sup>(2)</sup>
19	<b>Probability of Benefits Exceeding Costs</b>	<b>0%</b>	<b>26%</b>	1-NORMDIST(Line 15, Line 16, Line 17, 1)

(1) Bids include estimates for presenting direct and/or rebuttal testimony and for responding to data requests. These items were not included in the written bids submitted, but were obtained based on a follow-up discussion with bidders.

(2) Please see page 2 of 2 of this Attachment for the list of companies contained in the sample as well as the expense lags for those companies.

**Fitchburg Gas and Electric Light Company**  
**Other O&M Expenses - Lead Lag Study**  
**Cost / Benefit Analysis**  
**Sample of Utilities' Other O&M Lead/Lag Results**

<b>Company</b>	<b>Average Expense Lag</b>
APS	21.972
Central Power & Light	29.260
Lone Star Gas	20.477
Oklahoma Gas & Electric	12.751
Peoples Natural Gas Co.	15.613
Southern Union Gas Co.	30.773
Texas-New Mexico Power Co.	22.379
Texas Utilities Electric Co.	41.410
UGI Utilities	7.8770
West Texas Utilities Co.	22.590
Average	22.510
Standard Deviation (Sample)	9.617
Sample size	10